



KAISER PERMANENTE.

November 20, 2003

The Honorable Bill Thomas
Chairman, Ways and Means Committee
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Thomas:

Kaiser Permanente supports the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. This legislation, in adding a prescription drug benefit to Medicare, is truly historic. Virtually all Americans understandably feel a degree of uncertainty over such significant changes to a program so important to them. We are convinced, however, that history will judge this legislation as a substantial improvement of Medicare benefits, particularly for low-income seniors who do not have prescription drug coverage. The design and eligibility rules for the low-income drug benefit should have the beneficial effect of encouraging millions of low-income Medicare beneficiaries who are currently eligible for but not enrolled in existing federally-funded programs to enroll in those programs.

Kaiser Permanente has participated in the Medicare program since its inception in 1966, offering millions of seniors and disabled beneficiaries an integrated care-delivery option most suited to their health care needs. We believe that our 850,000 current Medicare members – and many of our nearly 7 million additional members who someday will be Medicare beneficiaries – stand to benefit significantly from this legislation.

First, we are extremely pleased that the legislation provides for coverage of outpatient prescription drugs. For many years, the lack of an outpatient prescription drug benefit has been a major gap in Medicare coverage, a void we have tried to help fill. As cost increases have greatly outpaced payment increases in recent years, we have had to reduce significantly the prescription drug coverage we offer our members. We recognize that the Congress has provided as comprehensive a benefit as funds would allow; yet significant gaps remain. We pledge to work with you to find ways to close these gaps.

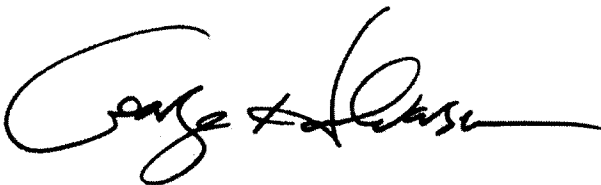
Second, the additional funding in 2004 and 2005 for Medicare+Choice plans will bring payment increases more in line with rising health care costs and allow health plans to continue to enhance benefits and improve delivery systems. This provides important relief and a sound foundation for integrated benefits once drug coverage takes effect in 2006.

Third, we are gratified that the legislation takes care to recognize the special value of the prepaid, integrated health care model that Kaiser Permanente has pioneered. The legislation appears to accommodate our integrated delivery system model in one important respect, but several modifications are needed to ensure that Kaiser Permanente Medicare members will be able to continue to receive care from their Permanente physicians and obtain drug benefits through their Kaiser health plan pharmacies. We look forward to working with Congress on these modifications next year.

Finally, we are pleased that the conference agreement includes language to promote federal funding of research into the comparative effectiveness of prescription drugs. To improve the quality of care and to maximize the value of the taxpayer dollars spent on prescription drugs, it is essential that physicians and consumers have access to high-quality, objective information that allows them to make sound clinical and purchasing decisions. This research will provide vital information that will help meet this need. We urge you work with the appropriators to ensure that sufficient funds are made available this year. Otherwise, we are concerned that these excellent intentions may go unfulfilled.

Medicare legislation of this magnitude will undoubtedly need significant fine-tuning in the coming months as we all prepare for implementation. Kaiser Permanente stands ready to assist Congress and the Administration in these efforts.

Sincerely,



George Halvorson
Chairman and CEO
Kaiser Foundation Health Plan, Inc.
Kaiser Foundation Hospitals



Francis J. Crosson, M.D.
Executive Director
The Permanente Federation